

Message Text

UNCLASSIFIED

PAGE 01 MANILA 20371 290746Z

ACTION EA-12

INFO OCT-01 EB-08 ISO-00 /021 W
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FM AMEMBASSY MANILA
TO SECSTATE WASHDC 9754
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UNCLAS MANILA 20371

COMMERCE FOR MPD

E.O. 11652: N/A
TAGS: EINV, BTIO, RP
SUBJ: MAJOR PROJECT: SMALL INDUSTRY FINANCING(IGLF)

REF: 10 FAM 164.1

1. PROJECT DESCRIPTION: PHASE II OF SMALL INDUSTRY PROJECT
TO PROVIDE FUNDS FOR RELENDING TO SMALL INDUSTRY AND TO PROVIDE
TECHNICAL ASSISTANCE TO HELP IMPROVE GOVERNMENT SERVICES TO
SMALL INDUSTRY.

2. PRESENT STATUS:ABOUT ONE-HALF (P43 MILLION) OF THE
ORIGINAL \$12 MILLION IGLF'S SHARE OF WB SMALL-INDUSTRY CREDIT
LINE IS STILL AVAILABLE PLUS THE P10 MILLION GOP COUNTERPART
FUND TO THE IGLF. IMPLEMENTATION OF THE WB RECOMMENDATIONS HAS
SO DRASTICALLY LIMITED THE AVAILMENT AND EFFECTIVITY OF THE
PROJECT THAT THE INTER-GENCY COMMITTEE SUPERVISING THE FUND
FEELS IT SHOULD RENEGOTIATE THE REMAINING PORTION OF THE
FIRST LOAN BEFORE THE SEOND WB LOAN OFFER FOR \$25M IS CONSIDERED,
ACCORDING TO MISS ZITA GOTAUOC OF THE NEDA INDUSTRY AND UTILITIES
STAFF. MS. GOTAUOC SAID THAT THE TURNOVER RATE DECLINED
SINCE 1976 BECAUSE OF THE EFFECTIVE EXCLUSION OF RURAL
BANKS(WHICH WERE THE MAJOR OUTLETS OF IGLF LENDING
BEFORE WB CAME IN) THROUGH THE RELATIVELY STRINGENT
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REQUIREMENTS OF ACCREDITATION SCHEME. UNDER THIS SCHEME
WHICH RAISED CAPITALIZATION REQUIREMENTS OF RURAL BANKS
FROM P250,000 TO P500,000, ONLY COMMERCIAL BANKS QUALIFY
AS IGLF LENDING INSTITUTIONS, WHICH PREFER BIG LOANS
RATHER THAN LENDING TO SMALL BORROWERS, AND ARE INACCESSIBLE
TO SMALL ENTERPRENEUS OUTSIDE METRO MANILA.

3. PROBLEMS AND PROSPECTS: IF THE PRESENT LOW RATE OF AVAILMENT PREVAILS, DUE TO HIGHER INTEREST RATES (13.2PERCENT) EFFECTIVE RATE INCLUDING GUARANTEE FEE) PLUS SOME INSTITUTIONAL BARRIERS (INACCESSIBILITY), MS. GOTAUCO DOES NOT FORESEE FULL AVAILMENT OF THE PRESENTLY AVAILABLE IGLF LOANABLE FUNDS UNTIL END OF 1979. HENCE, THEY ARE NOT RESPONSIVE TO WB OVERTURES FOR A SECOND LOAN.

4. THERE IS RELATIVELY LITTLE OPPORTUNITY FOR US BUSINESSMEN IN THIS PROJECT.

NEWSOM

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Message Attributes

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Sent Date: 29-Dec-1977 12:00:00 am
Decapton Date: 01-Jan-1960 12:00:00 am
Decapton Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Secure: OPEN
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TAGS: EINV, BTIO, RP
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